G.A. Haan Development

Solutions in Affordable Housing

September 9, 2007

Ms. Mary Levine, Director of Legal Affairs Michigan State Housing Development Authority 735 East Michigan Ave. Lansing, MI 48909

Re: Draft QAP

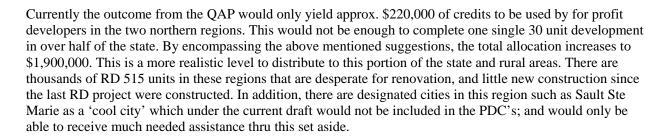
Dear Mary,

Our main concern over the draft QAP is the limited supply of credits available for the Northern area of the state. Specifically credits that can be used by for profit developers to build new family and senior developments as well as preservation. As you and your staff are well aware MSHDA is the only agency helping to provide adequate housing in rural Michigan. The role that USDA Rural Development once played is no longer viable; the citizens of less urban areas must rely on the development of tax credit apartments. In addition to the lack of Rural Development new construction, the existing HOME Team advantage program from the authority is becoming a less viable solution. With higher mortgage rates, depressed tax credit values, stagnant rents and higher energy costs; once healthy HOME Team projects are now upside down and not easily underwritten. The only real solution for housing for the working poor of northern and rural Michigan is the 9% tax credit program. Although this group may not be homeless, they might be close to homeless, and although they might not be classified by HUD as 'special need' they are in need of housing, they work for a living and they pay rent; however, in many cases they are the working poor.

We would suggest the following solutions. First, increase the total rural set aside to 20% of the states total, taking 5% from DHHP, and using the spare 5% which had not been allocated as of the draft printing. Secondly, we would suggest that the non-profit rural classification be removed. To defend this suggestion I would offer that only 3 of the top 10 affordable housing developers in the country are non-profit, and I am sure those three present great applications encompassing great locations and never need preferential treatment; we should strive for the very best in Michigan; In addition, the states requirement for nonprofit is satisfied by two other large categories. My additional suggestions deal with the timing of the rotation and the 'one affordable assisted project' I believe it is important that the timing of that allocation (not to exceed \$600k) is done on the opposite cycle from the northern areas of the state. One need to remember that under this draft, the only opportunity for typical LIHTC housing in northern Michigan is under this set aside; by moving that deduction to the lower state cycle we insure more credits are available in Northern Michigan. Also pertaining to the rotation, I feel that since so much of the credits will be focused to the south (45% DHHP / 15% PDC = 60% solely southern part of the state) that the first rotation should be focused to the north.

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It seems unfortunate that the authority seems to be attempting to solve or address a federal social service problem by using such a limited state resource. The social service gap caused by the continued elimination of programs and cost cutting measures from Washington have created a large demand for services that were once financed thru numerous federal programs. The use of LIHTC will continuously fall short of filling that gap and if not carefully monitored may compromise the original intention of providing affordable housing.

We do feel uncomfortable in some ways sharing opinions with out seeing the actual scoring criteria, I am told that will be released soon, I would reserve additional comments till that has been reviewed.

Sincerely,

Gerald Haan

Cc: Congressman Bart Stupak Congressman Dave Camp State Senator Jason Allen State Representative Gary McDowell